

Data Sheet

USAID Mission:	Georgia
Program Title:	Increased Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0131
Proposed FY 2004 Obligation:	\$9,233,000 FSA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$14,000,000 FSA
Year of Initial Obligation:	FY 2004
Year of Final Obligation:	FY 2008

Summary: USAID's broad, multi-year economic growth program includes the following: demand-driven policy reform, comprehensive banking sector reform, credit for small and medium enterprises, land reform, agricultural reform, and assistance to agribusiness. While direct beneficiaries are private enterprises, all Georgians stand to gain from a growing and commercially-sustainable private sector. USAID-funded activities focus on three areas: an improved policy and operating environment; increased access to financial services; and increased market-driven production and sales of agricultural products.

Inputs, Outputs, Activities:

FY 2004 Program:

Demand-driven policy reform, increased access to finance through institutional strengthening and competitiveness (\$3,000,000 FSA). This new five-year, \$23.0 million activity began in late FY 2003. Support to the demand side of policy reform will be accomplished by working with business associations to develop a national business agenda, which will be implemented through public/private partnerships. The private sector's access to credit will be strengthened through development of a wholesale lending facility, better understanding of financial sector constraints through analytical studies, and establishment of a collateral registry and credit information bureau. A competitiveness component will identify key industrial clusters, and support efforts to remove constraints to their development. Training will be provided for enterprises to improve competitiveness. Principal contractor: BearingPoint, USA.

Restructuring and policy assistance for the Ministry of Agriculture and Food (MAF) (\$233,000 FSA). This project has been extended through the third quarter of FY 2005. The restructuring support includes: reorganization of the Ministry's operating units; strengthening MAF's audit capacity; adopting international standards for exports of agricultural products; and training national-level Ministry staff in policy analysis and risk assessments. The downsizing and reorganization of the ministry along with a plan to provide a living wage for the remaining employees serve as the basis for future activities. A self-sustaining agricultural policy analysis unit established with USAID support will be transferred to the MAF in FY 2005. Principal contractor: Development Alternatives, Inc. USA .

Land reform (\$500,000 FSA). Since 1997, 2.4 million parcels of land, largely small-scale family owned parcels, were registered and titled. Further work in this area will include supporting privatization of large tracts of state-owned agricultural land through advocacy and assistance in drafting appropriate legislation, assisting in the implementation of enacted legislation, and advising on other land-related legal issues. The Association for the Protection of Landowner Rights and other local groups will be strengthened to conduct advocacy for legislative actions. Principal grantee: Terra Institute, USA.

Microfinance and rural credit (\$2,000,000 FSA). A new five-year, \$10 million activity began operations in late FY 2003 to improve the legal/policy environment for microfinance and to provide technical assistance and grant funding in support of micro and small enterprise finance in both urban and rural markets. The new activity will facilitate establishment of sustainable microfinance training institutions, promote partnerships between microfinance institutions (MFIs) and banks, develop financial/market microfinance

information, and develop a public information program to promote the values and practice of sustainable microfinance. Principal contractor: Chemonics International, USA.

Agribusiness development (\$3,000,000 FSA). Agribusiness development is being addressed through a multi-phased activity, Support Added Value Enterprises in Agriculture-Phase II (SAVE-II). Phase-1 (FY2001-FY2002) of this project identified agribusiness constraints and potential markets for several products in European Union countries and Russia. During FY 2004, SAVE-II efforts will increase the capacity of agribusinesses to develop processing and marketing plans, enter into sales contracts, and deliver quality products. Prime contractor: Agricultural Cooperative Development Institute/Volunteers in Overseas Cooperative Assistance, USA.

Program Development and Support (\$500,000 FSA). USAID will use these funds to support program-funded management staff and to cover other costs related to program development and evaluation.

FY 2005 Program:

Demand-driven policy reform, increased access to finance through institutional strengthening and competitiveness (\$4,500,000 FSA). Implementing priority elements of the national business agenda identified by the private sector in FY 2004 will be the major program focus in FY 2005. Technical assistance will be ramped up to address needs related to policy, financial infrastructure, and competitiveness. Principal contractor: same as above.

Land Reform (\$500,000 FSA). With the passage of a new law on privatization of agricultural land anticipated during FY04 or early FY05, a follow-up activity will assist in implementing land privatization across an estimated area of 360,000 hectares. This support will include assisting the local privatization commissions in collecting and organizing information on the land to be privatized, conducting auctions as authorized by law, and assisting new owners in registration of land and obtaining legal title. This activity would also work on improving and refining the legal and regulatory environment for land/real property ownership and management, including common properties, as well as improvement of the property registration system.

Microfinance and rural credit (\$2,700,000 FSA). Policy changes facilitated by this activity will create a stable foundation and operating environment for MFIs and rural lending institutions. Credit innovation grants to MFIs will be awarded on a competitive basis. Formal linkages will be developed between MFIs and commercial banks. Principal contractor: same as above.

Agribusiness development (\$5,000,000 FSA). SAVE-II will continue to support the following activities: improving product quality, building processing capacity, developing distribution channels, pursuing potential markets for selected products and organizing exports. Principal contractor: same as above.

Banking Supervision (\$500,000 FSA). USAID will support the following: implementation of a "Prompt Corrective Action" program at the National Bank of Georgia (targeted inspections, remedial agreements, temporary administrators, merger/acquisitions, etc.) for problem banks with specific problem issues; assist in performing Stress Tests for all large and/or problem banks; assist in the intervention and/or liquidation of any problem banks; facilitate development of improved cost accounting in the banking sector; support development of inspection procedures to implement anti-money laundering legislation, and build training capacity within the National Bank of Georgia.

Program Development and Support (\$800,000 FSA). USAID will use these funds to support program-funded management staff and to cover other costs related to assessment, new program design, and evaluation. Principal contractor: same as above.

Performance and Results: In FY 2003 USAID's efforts in promoting economic growth achieved results in three main areas: 1) Improved policy and operating environment: Georgia's private sector and Government joined forces to identify and quantify revenue losses due to petroleum product smuggling and corruption. Agricultural policy advice resulted in the elimination of value-added taxes on agricultural inputs, thereby increasing agricultural competitiveness. Also, the Georgia Enterprise Growth Initiative

was launched to support demand-driven policy reform; 2) Increased access to financial services: Banking supervision at the National Bank of Georgia was strengthened; (3) Increased market-oriented production and sales in agriculture: A strategy was developed to enhance agricultural marketing, promote agricultural equipment leasing, and support processors, packers, and growers to increase competitiveness.

Programs funded under this objective anticipate a 60% increase in enterprises registered and an 80% increase in jobs created during the strategy period (FY 2004-FY 2008).